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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934,
For the quarterly period ended March 31, 1992

MGL-2268

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 0-19795

PCI SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**51-0336586** (I.R.S. Employer Identification No.)
1403 Foulk Road, Suite 102 **Wilmington, Delaware** (Address of principal executive offices)	**19803** (Zip Code)

Registrant's telephone number, including area code: (302) 479-0281

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

As of May 14, 1992, there were 6,181,250 shares of Common Stock, par value $.001 per share, outstanding.

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PCI SERVICES, INC.
Quarter Ended March 31, 1992

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PCI SERVICES, INC.

Quarter Ended March 31, 1992

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

PCI SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,			Six Months Ended March 31,		
	1992	1991	1991 (Pro forma - See Note)	1992	1991	1991 (Pro forma - See Note)
Net revenue	$17,800,000	$18,222,000	$17,746,000	$33,037,000	$32,528,000	$31,487,000
Cost of goods sold	13,682,000	14,509,000	13,824,000	25,921,000	26,470,000	24,935,000
Gross profit	4,118,000	3,713,000	3,922,000	7,116,000	6,058,000	6,552,000
Selling, general and administrative expenses	1,736,000	1,909,000	1,722,000	3,325,000	3,836,000	3,282,000
Interest expense	119,000	338,000	239,000	363,000	695,000	482,000
Interest income	(43,000)	(19,000)	(19,000)	(58,000)	(64,000)	(39,000)
Management fees - MEDIQ	-	696,000	-	-	1,374,000	-
Income before income tax expense	2,306,000	789,000	1,980,000	3,486,000	217,000	2,827,000
Income tax expense	898,000	379,000	854,000	1,393,000	287,000	1,265,000
Net income (loss)	$ 1,408,000	$ 410,000	$ 1,126,000	$ 2,093,000	$ (70,000)	$ 1,562,000
Earnings (loss) per share	$ .28	$ .14	$ .39	$ .53	$ (.02)	$ .54
Weighted average shares outstanding	5,079,000	2,875,000	2,875,000	3,977,000	2,875,000	2,875,000

Note: The pro forma condensed consolidated statements of operations for the three and six month periods ended March 31, 1991 reflect the elimination of management fees charged by the Company's parent, MEDIQ, and the elimination of the operations of the Company's subsidiary, PCI/Virginia, which was transferred by dividend to MEDIQ effective October 1, 1991.

See notes to condensed consolidated financial statements.

PCI SERVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	September 30, 1991	September 30, 1991 (Pro forma - See Note)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,678,000	$ 1,696,000	$ 782,000
Accounts receivable, net	8,189,000	7,209,000	6,607,000
Inventories	3,519,000	4,477,000	3,991,000
Prepaid expenses	444,000	1,290,000	1,198,000
Total current assets	18,850,000	14,672,000	12,578,000
Property, plant and equipment, net	15,547,000	19,212,000	14,899,000
Goodwill, net	5,525,000	5,546,000	5,546,000
Other assets	682,000	1,264,000	1,025,000
	$40,604,000	$40,694,000	$34,048,000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 1,338,000	$ 2,020,000	$ 1,810,000
Accrued payroll and related taxes	867,000	630,000	608,000
Other accrued expenses	1,450,000	1,426,000	1,365,000
Federal and state taxes payable	832,000	244,000	202,000
Long-term debt - current	421,000	2,330,000	1,719,000
Total current liabilities	4,882,000	6,448,000	5,504,000
Long-term debt, less current maturities	3,658,000	9,104,000	6,157,000
Due to MEDIQ	-	9,199,000	8,430,000
Notes payable to MEDIQ	-	12,300,000	12,300,000
Deferred income taxes	1,791,000	1,726,000	1,736,000
Stockholders' equity	30,273,000	1,917,000	(79,000)
	$40,604,000	$40,694,000	$34,048,000

Note: The pro forma condensed consolidated balance sheet as of September 30, 1991 reflects the elimination of the Company's subsidiary, PCI/Virginia, which was transferred by dividend to MEDIQ effective October 1, 1991.

See notes to condensed consolidated financial statements.

PCI SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-In	Retained	
	Shares Issued	Amount	Capital	Earnings	Total
Balance at October 1, 1991	2,875,000	$3,000	$ 1,914,000	$ -	$ 1,917,000
Issuance of common stock	3,306,000	3,000	30,146,000	-	30,149,000
Dividend of PCI/Virginia	-	-	(1,996,000)	-	(1,996,000)
Special dividend to MEDIQ	-	-	(1,890,000)	-	(1,890,000)
Net income	-	-	-	2,093,000	2,093,000
Balance at March 31, 1992	6,181,000	$6,000	$28,174,000	$2,093,000	$30,273,000

See notes to condensed consolidated financial statements.

PCI SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income (loss)	$ 2,093,000	$ (70,000)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities	1,222,000	1,219,000
Decrease (increase) in current assets:		
Accounts receivable	(1,582,000)	(1,405,000)
Inventories	751,000	(145,000)
Prepaid expenses	733,000	424,000
Increase (decrease) in current liabilities:		
Accounts payable	(472,000)	(799,000)
Accrued payroll and related taxes	433,000	143,000
Other accrued expenses	127,000	392,000
Federal and state taxes payable	588,000	(244,000)
Net cash provided by (used in) operating activities	3,893,000	(485,000)
Cash flows from investing activities:		
Purchase assets of Dalvco	(958,000)	-
Deposits on equipment purchases	(534,000)	(160,000)
Purchases of equipment	(41,000)	(390,000)
Other	(62,000)	108,000
Net cash used in investing activities	(1,595,000)	(442,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock	30,149,000	-
Borrowings	927,000	628,000
Payment of notes payable to MEDIQ	(14,190,000)	-
Net activity of due to MEDIQ	(8,430,000)	(678,000)
Debt repayments	(4,859,000)	(1,781,000)
Net cash provided by (used in) financing activities	3,597,000	(1,831,000)
Net increase (decrease) in cash and cash equivalents	5,895,000	(2,758,000)
Decrease in cash and cash equivalents related to PCI/Virginia dividend	(913,000)	-
Cash and cash equivalents:		
Beginning of period	1,696,000	3,442,000
End of period	$ 6,678,000	$ 684,000
Supplemental disclosure of cash flow information:		
Interest paid	$ 357,000	$ 580,000
Supplemental disclosure of non-cash investing and financing activities:		
Equipment financed with long-term debt	$ 135,000	$ 628,000

See notes to condensed consolidated financial statements.

PCI SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

Note A - Condensed Consolidated Financial Statements

The condensed consolidated balance sheet as of March 31, 1992, the condensed consolidated statements of operations for the three and six month periods ended March 31, 1992 and 1991, the condensed consolidated statement of stockholders' equity for the six months ended March 31, 1992 and the condensed consolidated statements of cash flows for the six month periods then ended have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements for the fiscal year ended September 30, 1991 and notes thereto included in the Company's Registration Statement on Form S-1 dated January 28, 1992. The results of operations for the period ended March 31, 1992 are not necessarily indicative of the operating results for the full year.

The pro forma condensed consolidated statements of operations for the three and six months ended March 31, 1991 give effect to the following transactions as if they occurred on October 1, 1990: (i) elimination of PCI of Virginia, Inc. ("PCI/Virginia"), the Company's Virginia operation, which was transferred by dividend to the Company's parent company, MEDIQ Incorporated ("MEDIQ"), effective October 1, 1991 (See Note C), and (ii) the elimination of management fees charged by MEDIQ as a result of a restructuring of the Company's relationship with MEDIQ in connection with the Company's initial public offering, the inclusion of the Company's estimate of the cost of services to be provided to the Company by MEDIQ pursuant to the terms of a services agreement, which the Company approximates to be $100,000 per annum, and the related increase in income tax expense. The pro forma condensed consolidated balance sheet as of September 30, 1991 gives effect to the Company's dividend of PCI/Virginia to MEDIQ.

Note B - Initial Public Offering

In January 1992, the Company commenced its initial public offering of 2,875,000 shares of Common Stock at $10 per share and in February 1992 sold an additional 431,250 shares pursuant to a 15% over-allotment option on its initial public offering. Net proceeds from the initial public offering (the "Offering") were approximately $30,000,000.

MEDIQ owns 2,875,000 shares of the Company's Common Stock, or 46.5% of the outstanding shares.

Note C - Dividend of Subsidiary

Effective October 1, 1991, the Company transferred by dividend all of the capital stock of PCI/Virginia, an indirect wholly-owned subsidiary of the Company, to MEDIQ. In connection with the transfer, the Company entered into an agreement to provide senior management services to PCI/Virginia for management fees equal to five percent of the annual net revenue of PCI/Virginia. The Company recognized management fee income of $144,000 related to this agreement for the six months ended March 31, 1992. MEDIQ granted the Company a purchase option, exercisable at any time, and a right of first refusal with respect to PCI/Virginia. The purchase price pursuant to the purchase option is the fair market value of PCI/Virginia as of the date of exercise.

In connection with the dividend of PCI/Virginia, the special purpose entity, P.C. Realty, Inc., is no longer consolidated with the accounts of the Company. The dividend of PCI/Virginia and the elimination of the accounts of P.C. Realty, resulted in a reduction in the Company's stockholders' equity of $1,996,000 in the six months ended March 31, 1992.

Note D - Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

	Mar. 31, 1992	Sept. 30, 1991	Sept. 30, 1991 (Pro forma)
Raw materials	$1,131,000	$2,443,000	$2,061,000
Work in process	1,719,000	1,078,000	1,078,000
Finished goods	669,000	936,000	852,000
	$3,519,000	$4,477,000	$3,991,000

Note E - Property, Plant and Equipment

	Mar. 31, 1992	Sept. 30, 1991	Sept. 30, 1991 (Pro forma)
Land	$ 351,000	$ 515,000	$ 351,000
Building and improvements	5,849,000	8,011,000	5,829,000
Equipment and fixtures	21,102,000	21,713,000	19,396,000
	27,302,000	30,239,000	25,576,000
Less: accumulated depreciation and amortization	11,755,000	11,027,000	10,677,000
	$15,547,000	$19,212,000	$14,899,000

Depreciation and amortization expense related to property, plant and equipment for the periods ended March 31, 1992 and 1991 was $1,084,000 and $1,173,000, respectively.

PCI SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1991
(Unaudited)

Note F - Long-Term Debt

	Mar. 31, 1992	Sept. 30, 1991	Sept. 30, 1991 (Pro forma)
Capital lease obligations	$ -	$ 5,131,000	$3,223,000
Mortgage	2,870,000	4,624,000	2,974,000
Term loans	1,209,000	1,679,000	1,679,000
	4,079,000	11,434,000	7,876,000
Less: current maturities	621,000	2,330,000	1,719,000
	$3,458,000	$ 9,104,000	$6,157,000

The Company used approximately $4,360,000 of the proceeds from the initial public offering (See Note B) to retire its outstanding capital lease obligations and certain outstanding mortgages and term loans.

Note G - Special Dividends

On September 20, 1991, September 30, 1991 and December 12, 1991, the Company declared special dividends on its Common Stock in the form of four notes. The first, second and third notes had principal amounts of $9,000,000, $2,300,000 and $1,000,000, respectively. The December 12, 1991 dividend was accounted for as if it had been declared on September 30, 1991. The fourth note, which was contingent upon the exercise of the underwriters' 15% overallotment option, had a principal amount of $1,890,000.

In February 1992, all notes payable in connection with the special dividends were paid with proceeds from the Offering.

Note H - Acquisition of Delvco Industries, Inc.

On February 21, 1992 the Company, through its newly created subsidiary, PCI/Delvco, Inc., acquired certain assets of Delvco Industries, Inc. of Ivyland, Pennsylvania for a cash purchase price of approximately $1,200,000 ($240,000 paid on deposit in the prior fiscal year) subject to certain working capital adjustments not yet determined. Delvco is a producer of vacuum formed plastics, including medical trays used for ampules and syringes.

PCI SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1991
(Unaudited)

Note I - Subsequent Event

On April 20, 1992, the Company, through its wholly-owned subsidiary, Packaging Coordinators, Inc., ("PCI") acquired all of the capital stock of The Tri-Line Co., Inc., ("Tri-Line") of Manati, Puerto Rico from Mr. Ronald Salzano. Tri-Line is the principal printer and supplier of inserts and outserts for pharmaceutical packaging in Puerto Rico, operating two plants of 30,000 square feet each and employing 70 people.

The purchase price consisted of base consideration of $4,025,000 in cash, a capital contribution to Tri-Line of $525,000, and contingent consideration of up to $1,600,000. Proceeds from the capital contribution were used by Tri-Line to retire certain indebtedness to a former shareholder of Tri-Line. One-third of the contingent consideration will be payable in cash for each of the three consecutive years following closing in which the net earnings of Tri-Line equal or exceed certain targeted earnings.

Simultaneous with the purchase of the outstanding stock by PCI, Tri-Line issued newly created shares of non-participating, cumulative preferred stock to Mr. Salzano. The preferred stock provides for dividends in the amount of $100,000 per annum, payable in quarterly installments of $25,000 each. The preferred stock is subject to put and call options at a price of $900,000 each during the first three year period following closing, and thereafter, $900,000 plus 10% of Tri-Line's net earnings subsequent to the conclusion of the third year.

Mr. Salzano will continue to serve as President of Tri-Line pursuant to a five-year employment agreement. In addition, Mr. Salzano was appointed to a five year term as President of PCI's subsidiary, Packaging Coordinators Incorporated, Caribe, located in Gurabo, Puerto Rico.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion addresses the financial condition of the Company as of March 31, 1992 compared with September 30, 1991 and its results of operations for the three and six month periods then ended, compared with pro forma and historical results of operations for the same periods last year. Pro forma results of operations for the three and six month periods ended March 31, 1991 give effect to the following transactions as if they occurred at the beginning of the periods: (i) the transfer by dividend on October 1, 1991 of all of the capital stock of PCI/Virginia to MEDIQ and (ii) the elimination of management fees charged by MEDIQ as a result of a restructuring of the Company's relationship with MEDIQ in connection with the Company's initial public offering (the "Offering"). This discussion should be read in conjunction with Management's Discussion and Analysis (pages 12-15) for the fiscal year ended September 30, 1991 included in the Company's Registration Statement on Form S-1, dated January 28, 1992.

Results of Operations - Second Quarter Fiscal 1992 vs. 1991

Net revenue for the second quarter of fiscal 1992 was $17,800,000, compared to the second quarter of fiscal 1991 revenue of $17,746,000 on a pro forma basis. Revenue in 1992 decreased $422,000, or 2%, from the historical 1991 second quarter revenue of $18,222,000, which included revenue of $476,000 from PCI/Virginia.

Cost of goods sold for the second quarter of fiscal 1992 was 77% of net revenue, compared to 78% for second quarter of fiscal 1991 on a pro forma basis and 80% on a historical basis.

Selling, general and administrative expenses for the second quarter of fiscal 1992 were consistent with the same period in fiscal 1991 on a pro forma basis. As a percentage of net revenue, selling, general and administrative expenses in 1992 decreased slightly

compared to 1991. Historical second quarter of fiscal 1991 expenses of $1,909,000 included $212,000 related to PCI/Virginia.

Interest expense of $119,000 for the second quarter of fiscal 1992 was $120,000, or 50%, less than the prior year on a pro forma basis. The decrease in interest expense is a result of a reduction of $4,360,000 in long-term debt in the second quarter of fiscal 1992 with proceeds from the Company's Offering. Interest expense associated with PCI/Virginia was $99,000 in the second quarter of fiscal 1991.

Interest income in the second quarter of fiscal 1992 was $43,000, compared to $19,000 in the prior year period. The increase in interest income relates to the investment of a portion of the proceeds from the offering in short-term investment grade securities.

The Company's effective income tax rate decreased to 39% in 1992 from 43% in the second quarter of fiscal 1991 on a pro forma basis. This decrease is a result of lower permanent differences associated with the Company's operations in Puerto Rico. The effective tax rate on historical 1991 earnings of 48% was higher than the statutory rate as a result of pre-tax losses associated with PCI/Virginia, for which state tax benefits were not recorded.

Results of Operations - Six Months Ended March 31, 1992 vs. 1991

Net revenue for the six months ended March 31, 1992 was $33,037,000, compared to $31,487,000 on a pro forma basis for the comparable 1991 period. The increase in revenue of $1,550,000, or 5%, was primarily a result of increased volume with the Company's existing customers in the first quarter of fiscal year 1992. Revenue in 1992 increased $509,000, or 2%, from the historical 1991 second quarter revenues of $32,528,000 which included revenues of $1,041,000 from PCI/Virginia.

Cost of goods sold for the six months ended March 31, 1992 was 79% of net revenue as compared to 79% for the prior year period on a pro forma basis and 81% on a historical basis.

Selling, general and administrative expenses increased slightly in the first six months of fiscal 1992 as compared to the same period in fiscal 1991 on a pro forma basis, and as a percentage of net revenue, remained consistent with 1991 on a pro forma basis. Historical 1991 expenses of $3,836,000 included $604,000 related to PCI/Virginia.

Interest expense of $363,000 for the six months ended March 31, 1992 was $119,000, or 25% less than the prior year on a pro forma basis. The decrease in interest expense is a result of a reduction in long-term debt in the second quarter of fiscal 1992 with proceeds from the Company's offering. Interest expense associated with PCI/Virginia was $213,000 in 1991.

Interest income in 1992 was $58,000 as compared to $39,000 in the prior year period on a pro forma basis. The increase in interest income relates to the investment of a portion of the proceeds from the offering in short-term investment grade securities.

The Company's effective income tax rate decreased to 40% in 1992 from 45% in 1991 on a pro forma basis. This decrease is a result of lower permanent differences associated with the Company's operations in Puerto Rico. The effective tax rate on historical 1991 earnings was disproportionate relative to pre-tax income as a result of losses associated with PCI/Virginia for which state tax benefits were not recorded.

Management Fees - MEDIQ

During fiscal year 1991, MEDIQ provided the Company with senior management services, financial management, legal and accounting services and other professional services. MEDIQ is a non-operating company which derives all of its revenue from management fees charged to its operating subsidiaries. The allocation of management fees to its operating subsidiaries was based on an estimate of the level of services provided to each subsidiary and the size of each subsidiary.

In connection with the Offering, the Company's relationship with MEDIQ was restructured. As a result, management fees charged by MEDIQ representing the cost of

services provided to the Company by MEDIQ and an allocation of MEDIQ's corporate overhead, were discontinued as of October 1, 1991. Effective October 1, 1991, the Company entered into a services agreement with MEDIQ pursuant to which it will obtain legal, financial and risk management services, in the ordinary course of the Company's business, at rates approximating MEDIQ's cost of providing such services. The Company estimates the expense to be $100,000 annually. Management fees charged by MEDIQ were $696,000 and $1,374,000 for the three and six month periods ended March 31, 1991, respectively. Pro forma operating results include an estimated expense of $25,000 and $50,000 for the three and six month periods, respectively, for services rendered by MEDIQ. Such estimated expense, which is included in selling, general and administrative expenses, is based on the terms of the Company's new services agreement.

Liquidity and Capital Resources

At March 31, 1992, the Company had working capital of $13,968,000, including cash and cash equivalents of $6,678,000. For the six months ended March 31, 1992, net cash provided by operations increased to $3,893,000 from net cash used in operations of $485,000 in the prior year period.

In February 1992 the Company completed its initial public offering, in which the Company sold 3,306,250 shares of Common Stock at $10 per share. The net proceeds from the Offering were approximately $30,000,000. The Company utilized $19,540,000 of the proceeds to repay the amounts outstanding to MEDIQ, and $1,890,000 for an additional note payable to MEDIQ out of the proceeds from the over-allotment option exercised by the underwriters of the offering. The Company used $4,360,000 of the proceeds to purchase equipment under capital lease arrangements and to retire certain term loan obligations. In February, the Company acquired certain assets of Delvco Industries, Inc., of Ivyland, PA with approximately $900,000 of the proceeds from the Offering. In April 1992, the Company acquired The Tri-Line Co., Inc. ("Tri-Line") of Manati, Puerto Rico. The

purchase price consisted of base consideration of $4,025,000 in cash, a capital contribution to Tri-Line of $525,000 and contingent consideration of up to $1,600,000. Approximately $3,000,000 of the proceeds from the Offering were used to fund this acquisition, and the balance of the base consideration and the capital contribution were funded by the Company's operating cash flow. The balance of the proceeds from the Offering was invested in short-term obligations.

The Company currently does not have a line of credit. However, management believes that the combination of the net proceeds from the Offering, existing working capital and anticipated funds to be generated from future operations will be sufficient to meet the Company's anticipated operating and capital needs. Depending upon future growth of the business, additional financing may be required.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K.

A report on Form 8-K dated March 27, 1992 was filed to report the signing of a definitive agreement to acquire The Tri-Line Co., Inc. under Item 5 of the form.

A report on Form 8-K dated April 20, 1992 was filed to report the consummation of the acquisition of The Tri-Line Co., Inc. under Item 2 of the form. Pursuant to Item 7(a) of the form, the Company filed the audited financial statements of The Tri-Line Co., Inc. for the three years ended December 31, 1991. Pursuant to Item 7(b) of the form, the Company filed the unaudited pro forma condensed consolidated balance sheet at December 31, 1991 and the unaudited condensed consolidated statements of operations for the three month period ended December 31, 1991 and the year ended September 30, 1991. Pursuant to Item 7(c) of the form, the Company filed as an exhibit to the form the agreement of sale.

PCI SERVICES, INC.
Quarter Ended March 31, 1992

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PCI SERVICES, INC.
(Registrant)

May 14, 1992
(Date)

Michael F. Sandler
Vice President and
Chief Financial Officer